MARKETING AN HOTEL APARTMENT BUILDING IN A SMALL CITY

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FAIRFIELD MANOR

Fort Wayne, Indiana

Marketing an Hotel Apartment Building in a Small City

FORT WAYNE AND ALLEN COUNTY, IND.

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Reprinted from editorial article in the July 30, 1928,
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BUILDINGS AND BUILDING MANAGEMENT

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FAIRFIELD MANOR REALTY CO.

Capital $700,000

OWNERS AND OPERATORS

Fairfield Manor

O. N. GULDLIN, President
A. H. WITTE, Secretary
L. MORTON JENSEN
Managing Director
WAYNE L. THIEME, Treasurer

JUN 26 1942

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APARTMENT BUILDINGS

Apartment Hotels
Co-operative Apartments
Multi-Family Residences
of the better class.

Marketing the First Apartment Building in a Small City

How a Seven-Story Hotel Apartment Building Was Projected, Promoted, and Completed at Fort Wayne, Indiana—Features of Its Financing and Its Plan of Stock-Ownership by Tenants—Details of Construction and Equipment

WHEN a local man announces plans for the first modern apartment building in a small city, he is generally the recipient of much advice and many well-meant warnings. While many of the expressed opinions are merely repetition of someone else's ideas, they do represent a fair cross-section of the factors that must be weighed before any sizable apartment project may safely be launched.

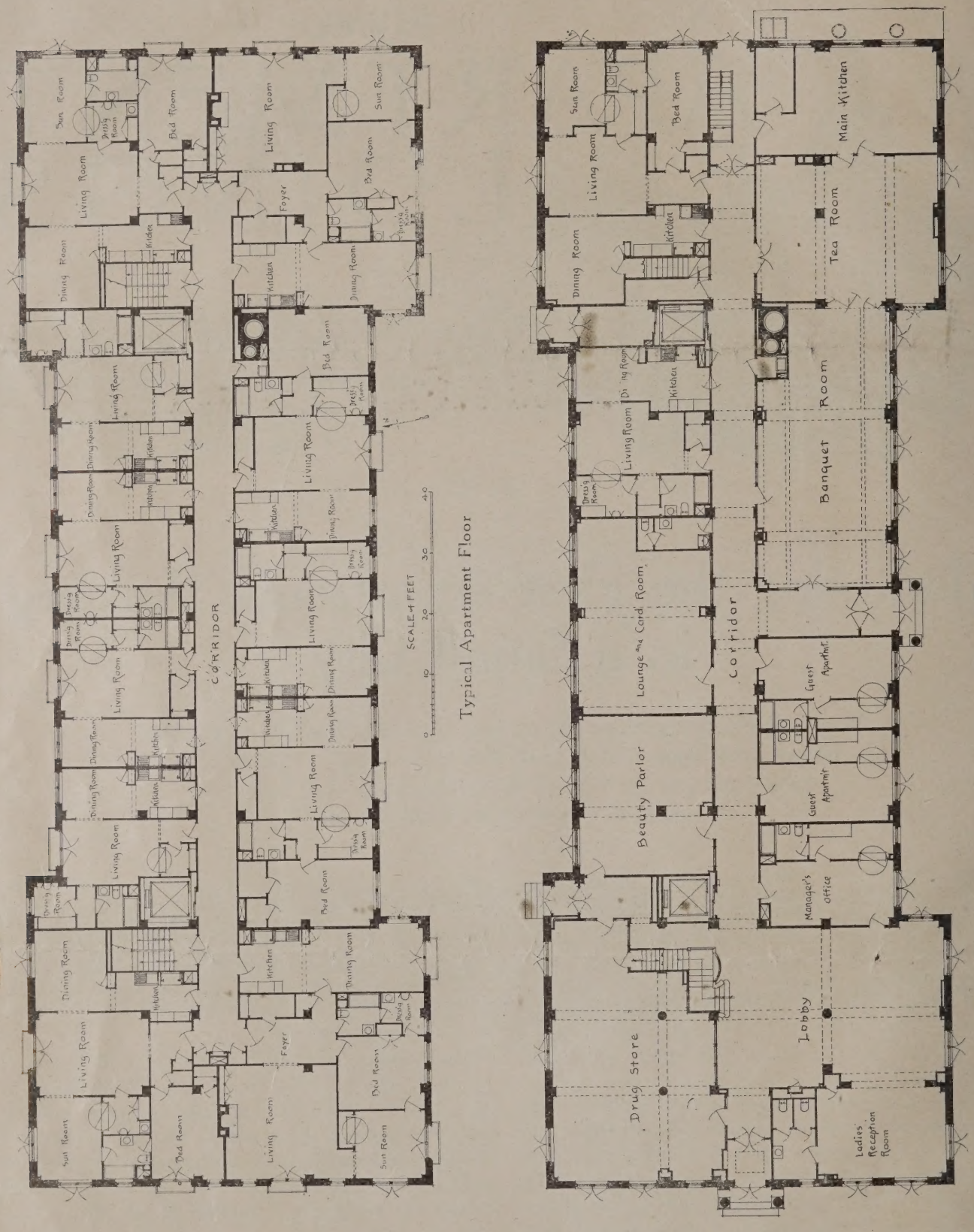
Can the city support the proposed building? Can the project be completed for the estimated cost? Is the cost of the contemplated construction and equipment warranted by the rentals that may reasonably be expected in the city? These questions are almost invariably raised time and time again by local people, and must have affirmative answers if the project is to have a good chance of financial success.

When O. N. Guldlin first started to work on plans for a modern apartment building at Fort Wayne, Indiana, a city of about 120,000 inhabitants, he encountered these and similar questions. He had in his favor a knowledge of engineering, many years practical experience in construction activities, and the fact that he had been one of the important promoters of the first modern hotel in Fort Wayne some seventeen years earlier. Then, too, he had worked for several years on the project before he broached it as an achievable one.

The building is a seven-story structure known as Fairfield Manor. It represents six years of study and planning, and inspections of many buildings in other cities throughout the country, on the part of Mr. Guldlin and a small group of associates among whom is Captain L. Morton Jensen. The building was opened for occupancy in January of this year.

Preliminary Planning

Deciding upon the location offered no special problems. There was an available site on the principal thoroughfare in the heart of the best residential district. This location was agreed upon without hesita-



Floor Plans of Fairfield Manor, Fort Wayne, Ind.

An Apartment Building Being Operated Under a Tenants' Stock Ownership Plan

Fairfield Manor Realty Co.
Owners and Operators

Chas. R. Weatherhogg
Architect

Fairfield Manor, Fort Wayne, Ind.

tion. Its advisability has never been questioned in subsequent study of the project.

The size of the building, however, was a different matter. Particularly in the development of the first tall apartment building must size and height be carefully determined. There was ample ground available, and it was necessary to decide at what point it became economical to go up in height instead of spreading out laterally.

Mr. Guldlin's study led him to favor a seven-story structure, occupying a site fronting 130 feet on Fairfield Avenue, the principal residential street, and 198 feet on Creighton Avenue. It is interesting to know that his figures showed that a four-story building of these dimensions did not allow sufficient income, that a five-story building exactly balanced rentals with expenses, and that a seven-story building could be expected to show a sufficient margin of profit. Obviously, in reaching these conclusions, Mr. Guldlin had to be guided by his knowledge of local rent scales and by common sense as to the amount of space which could be rented within a reasonable time.

Cost Estimates and Financing

Before negotiating for any financing, Mr. Guldlin made detailed estimates of the cost of construction, the cost of operation, and the rental scale which would have to be established. It is of interest that the estimates were accepted at their face value by the Fletcher American Company, of Indianapolis, who later financed the project.

In working out his estimates, Mr. Guldlin computed the probable total investment, and analyzed this upon the basis of square feet of rentable space within the apartments. He then established a fixed charge against each kitchen and bathroom, these rooms requiring the highest investment in mechanical equipment, plumbing, and labor. This charge, levied against each apartment according to the number of bathrooms, as each has only one kitchen, was then added to the cost of the proportionate number of square feet of usable space, to establish the cost of each apartment. This figure gave him a working basis for the fixing of the rental rate, and for the determination of value on a stock-ownership basis, a plan which will be explained later.

On the basis of these figures, the Fletcher American Company subscribed $450,000 of 6 per cent cumulative first preferred stock. This stock is callable, as a whole or in part, at any dividend date, upon 30 days' written notice, at 102 and accumulated dividend. The appraisals of land and buildings, appraised independently, are: Land, (appraisal by Fort Wayne Real Estate Board), $42,250; and building and equipment (T. A. Moynahan, Indianapolis), $634,301; the combined value being $676,551. The earnings are estimated, on a basis of local rentals, as: Gross income (after allowance for vacancies), $88,643; operating expenses, insurance, and all taxes, $31,111; the net income being $57,532. From this net return must be taken a maximum annual dividend requirement of $27,000.

The balance of the financing was secured through the sale of $250,000 common stock to local people, Mr. Guldlin and Captain Jensen being among the

heavy stockholders. The officers of the Fairfield Manor Realty Company are: O. N. Guldlin, president; A. H. Witte, secretary; and Wayne L. Thieme, treasurer. L. Morton Jensen is managing director.

Stock-Ownership Plan for Tenants

One of the distinctive features of the financial plan of this project is a stock-ownership arrangement that was made available to lessees of large suites in the building. This plan resembles that of co-operative ownership, and of group ownership, with certain fundamental differences.

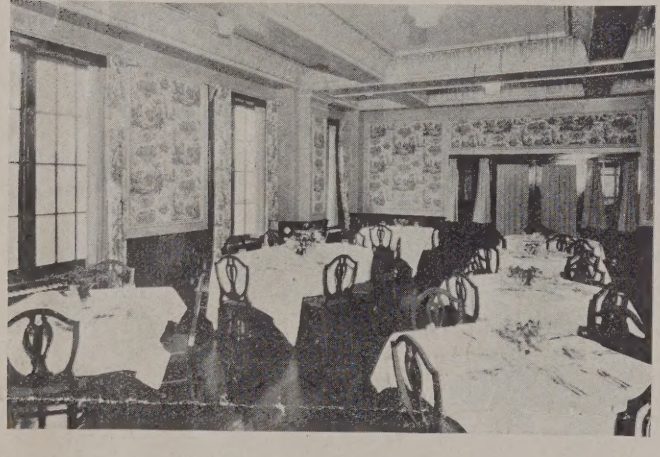
The plan provides that stock may be purchased to an amount sufficient to cover the pro rata cost of any apartment. The tenant purchasing this stock is then given a long-term lease on the apartment he selects. He pays, for his apartment, the established monthly rental, less 7½ per cent, this margin being the allowance set up to cover vacancies. The theory of this discount is that since the tenant has paid the cost of the apartment, and occupies it on a long lease, the apartment cannot cause vacancy, and is therefore separate from the rest of the building as far as vacancies are concerned.

The tenant-stockholder receives the regular dividends upon his investment, and receives common stock equal in amount to his proportionate share of the funds spent in amortizing the preferred stock. As an investment, this stock-ownership plan is expected to show very material savings over a period of years. It is an investment that is subject to the same risk encountered by non-resident stockholders in the project, and in that respect differs from the 100 per cent co-operative investment, in which all apartments are on an ownership basis.

While this arrangement was available to the earlier subscribers to stock, it was not emphasized subsequently. However, any tenant is permitted to place his occupancy upon this basis, if he can secure sufficient stock from some present stockholder. The working out of this plan has no effect upon the present stockholders, except that each apartment so occupied insures continuous rental income, and serves to stabilize the building's earnings.

The Lobby (Looking West to Ladies' Reception Room)

Ladies' Reception Room (Looking South)



The Banquet Room

The Tea Room

Ground Floor Rooms

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Construction, Layout and Equipment

Fairfield Manor is of reinforced concrete construction, and has exterior walls of tan tapestry brick, with limestone trim. The roof is of the mansard type, and is faced with green tile. An interesting point about the roof is the concealment of the elevator machinery in twin penthouses, with tile roofs to match the main roof. Another point is the overhang of the main roof, which was decided upon to give a desired appearance from the grounds as well as from a greater distance. The exterior appearance of the building was an important factor in gaining good will of residents of the district who were at first resentful of the building's erection.

There are 70 apartments in the building, comprising three-, four-, and five-room suites, some of the suites being combined to form larger units. The monthly rentals are about $77.50 for a three-room, $105 for a four-room, and $124 for a five-room apartment. All apartments are rented unfurnished.

Floors in the main rooms are hardwood. Bathroom floors are tile. Corridors are carpeted, the carpet being of a special pattern. Ceilings are about 9 feet in height. All rooms are of a good size, and all are amply provided with electric outlets, a rule followed by Mr. Guldlin being to "put in all evidently needed outlets, then double the number."

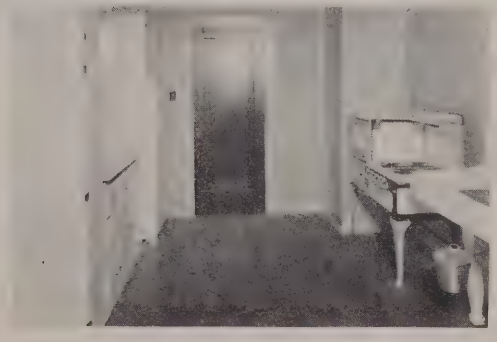
Living Rooms and Dressing Rooms

All living rooms are equipped with Murphy beds, of the type that operate on a center pivot and are hung on the back of a swinging section of wall. The beds are locked in position with specially designed Schlage locks. There is a good-sized dressing room behind each bed, connecting through a short hall with the bathroom. The hall is just large enough to afford convenient access to the bathroom without passing through the dressing room. The dressing rooms are each outfitted with a mill-made dressing table, having triple-section mirrors. A door shutting off the dressing room from the hall leading to the bathroom has a full-length mirror on its inner side. Ample shelves are provided for the storage of linens, a special towel shelf permitting the removal of clean towels into the bathroom through a small compartment.

Living Room

Bathroom

Bedroom



Kitchen

Interiors of One of the Typical Apartments

Bathrooms

The bathroom equipment is of Standard Manufacturing Company make. Miami medicine cabinets are installed. Toilets are equipped with Sloan flush valves. Some of the larger dressing rooms, in addition to a dressing table, have an auxiliary lavatory. These rooms are equipped also with an extra cabinet, faced with a Venetian mirror, the cabinets being pro-

vided by White Kraft Steel Furniture Co. Showerbaths are provided, bathroom walls surrounding the tub on three sides being full-height tile, the balance of the wall-space being tiled to a lesser height.

Kitchens

Kitchens are equipped with Standard sinks; Roper ranges; Wayne electric refrigerators, of the individual unit type; kitchen cabinets, broom cabinets, and ironing-board cabinet; and a Receivador compartment. The sinks are of the two-compartment type and are provided with hot and cold, softened-water faucets, and with a city-water faucet. A special feature of the kitchens is a recessed Miami medicine cabinet, with a mirror, above the sinks. All of the kitchens contain exactly the same type of units, the only differences between the largest and the smallest being in the size of the equipment. A Kerner incinerator opening is provided on each floor. Garbage is temporarily stored in containers of the swinging type, which are attached to the individual sinks.

Kitchens and dinettes are divided by a dish cabinet, with a swinging screen provided to close off the kitchen during the course of the meal. Kitchenettes and bathrooms are mechanically ventilated, a Sturtevant installation ventilating also the corridors.

Mechanical Equipment

Two Haughton elevators are installed, one being exclusively used for a passenger car, the other for both freight and passengers. Both cars are of the dual-control type, with Wagner door closers. The elevator doors were provided by the United Metal Door Company.

Two Heggie-Simplex boilers are installed; radiators being American, equipped with Warren Webster valves. The heating system is of the vacuum type, utilizing a Nash vacuum pump. A Wayne water softener is installed, and Yeomans house and ejector pumps.

Development of the Site

As has been said, the building has a frontage of 130 feet on Fairfield Avenue, and of 198 feet on Creighton Avenue. To the south of the building on its Fairfield Avenue front is an additional 60 feet or more of ground which is being used as a safeguard for light and air. This property is not owned by the building company, being held only by agreement, pending subsequent disposition. It is at present landscaped, and will probably be later utilized for putting greens. The main entrance to the building fronts on this property, a concrete drive passing along the south side of the building.

Living Room in 8-Room De Luxe Apartment

Dining Room in 8-Room De Luxe Apartment

Ground Floor Arrangement

The ground floor of the building houses a main lobby, a ladies' room, a card room, a cafe-tea room, three hotel rooms, a manager's apartment, a janitor's apartment, and a beauty shop, one store space being as yet unoccupied. The cafe-tea room is leased, and is operated under separate management.

Other Public Space

The roof is designed for a roof garden, although the plans for this have not yet been completed. Twelve special lights mounted on the parapet serve to illuminate the roof, and to give an attractive effect to the top of the building when viewed from other points. One light is placed at each of the four corners of the building, one at each outer corner of the 8-foot setback, which is duplicated on the east and west fronts, and one light being installed at each inner corner of the setbacks.

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